

**QUESTIONS FOR ORJIAKOR ISIOGU
APPOINTED MEMBER OF THE PUBLIC SERVICE COMMISSION**

1. What qualifies you to serve on the Public Service Commission (PSC)?
2. Do you have any interest, financial or otherwise, in any entity regulated by the PSC?
3. What will be your guiding philosophy in carrying out the duties of the PSC?
4. What do you view as your primary duties as Chair of the PSC?
5. What experience do you have in managing an agency the size of the PSC?
6. As you know, having well trained PSC staff is important to creating and administrating regulations. How will you administer, retain, and obtain effective staff members?
7. Having the unique experience of being a staff person at the PSC prior to your appointment, are there any immediate changes you will seek to make to the PSC? What long-term changes do you anticipate recommending for the PSC?
8. What role, if any, does politics play in the operations of the PSC?
9. What is the appropriate relationship between the PSC and the Legislature?
10. Please describe the appropriate relationship between the PSC and the Department of Labor and Economic Growth.
11. Is it appropriate for the administration to seek to affect the outcome of matters properly before the PSC?
12. In 1975, Attorney General Frank Kelley stated in an Attorney General Opinion that the chair of the PSC presides at meetings of the Commission, but after that, needs the concurrence of at least one other commissioner to implement management and organizational matters affecting the operation of the PSC. Will you seek to challenge or change that opinion?
13. Under what circumstances will you seek outside counsel for the PSC?
14. Do you think all customers should pay their actual share for electric service?

15. What criteria should weigh most heavily when considering a request by a public utility for a rate increase?
16. According to recent reports, natural gas consumption will increase because of increased demand by residential and commercial customers, and electrical power production. What can the Commission do to address rising natural gas prices? Would you advocate for the implementation of a multi-year price freeze to achieve stability?
17. What sources of energy do you consider to be renewable?
18. What do you consider to be alternative energy?
19. Do you favor a mandated renewable portfolio standard (RPS) or a voluntary standard? Why?
20. What RPS level(s) do you believe are feasible in Michigan and over what time line(s)?
21. Do you favor the 21st Century Energy Plan? What is the expected cost of implementing the Governor's RPS proposal?
22. Can the goals of the 21st Century Energy Plan be reached with the structure created in P.A. 141?
23. The Michigan Legislature restructured the investor-owned electric industry (PA 141). Has this resulted in the degree of competition initially anticipated? If not, then why, in your opinion, has this not happened?
24. Competition for residential customers has occurred between natural gas suppliers. It hardly exists among electricity suppliers for those same customers. Why? Can this situation be changed?
25. Energy costs are important factors in a state's economy and Michigan pays more for electricity than neighboring states. Does this concern you? Why are Michigan's rates relatively higher? As a member of the PSC, what will you do to keep Michigan's electric rates low?
26. Energy demands continue to increase. What steps will you take to ensure Michigan's electric and natural gas supplies remain stable and reliable? Do you support the construction of traditional large base-load plants to meet future demand and replace current supply? Do you believe Michigan's pipeline connections to interstate supplies are sufficient to meet existing and future demand?

27. Do you support moving to a cleaner burning coal? Coal gasification? How would such a move impact Michigan's environment and business climate?
28. What is the status of competition in the telephone industry following the legislature's recent re-writing of the Michigan Telecommunications Act?
29. You played a key role in negotiating the video franchise law. How is the law working?
30. What consideration should the environment be given in utility regulation and law?
31. Many states regulate water and sewer rates. Do you think Michigan should? Why?
32. Do you think Michigan needs a long term energy plan? Why? If you think the state does need a long term energy plan, what should its components be?
33. Currently, the Commission regulates electricity, natural gas, petroleum, telecommunications, video franchising and renewable energy program. Do you think it is necessary for the Commission to also regulate the movement of intrastate household goods?
34. Last year the PSC issued 438 orders and 38 (or 8.7%) of those were motor carrier orders. What level of resources does the PSC devote to its Motor Carrier Division and what level of revenue does the Division generate? How does this compare to other PSC divisions?

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1. What qualifies you to serve on the Public Service Commission (PSC)?

For more than 18 years, my duties have involved active participation in the Michigan Public Service Commission's efforts to fulfill its mission. As an Assistant Attorney General, I had the privilege of representing the citizens of Michigan before the Public Service Commission, the Federal Communications Commission and federal and state trial and appellate courts. I served as an Assistant Attorney General for 14 years, representing the state, its agencies as well as the consumer interests in state and federal proceedings involving utilities such as natural gas, electric and telecommunications.

Subsequently, I served for four years as the Director of the Telecommunications Division of the Public Service Commission.

2. Do you have any interest, financial or otherwise, in any entity regulated by the PSC?

I have no interest, financial or otherwise, in any entity regulated by the PSC.

3. What will be your guiding philosophy in carrying out the duties of the PSC?

My guiding philosophy is to insure that my actions as a Commissioner facilitates the growth of Michigan's economy and enhance the quality of life of the state's citizens by assuring safe and reliable energy, telecommunications, and transportation services at a reasonable price.

4. What do you view as your primary duties as Chair of the PSC?

In addition to performing the duties of a Commissioner, my duties as Chair of the PSC include presiding over the meetings of the Commission and serving as the chief administrative officer of the Commission.

5. What experience do you have in managing an agency the size of the PSC?

I am intimately familiar with the daily operations of the PSC as a result of having served for the past four years as the Director of the PSC's Telecommunications Division. As Director of the Telecommunications Division I managed numerous complex matters and supervised a staff of 24 – 30 members.

6. **As you know, having well trained PSC staff is important to creating and administrating regulations. How will you administer, retain, and obtain effective staff members?**

In order to retain and obtain effective staff members, I believe that it is important to create a work environment where staff members are treated with respect and dignity and they are provided with the requisite training and resources to carry out their responsibilities.

7. **Having the unique experience of being a staff person at the PSC prior to your appointment, are there any immediate changes you will seek to make at the PSC? What long-term changes do you anticipate recommending for the PSC?**

Currently, there are a number of key staff positions that are vacant. I believe that it is important to immediately fill those vacancies. Any long term changes necessary will be determined after I have done my due diligence.

8. **What role, if any, does politics play in the operations of the PSC?**

Politics plays no role in the operations of the PSC.

9. **What is the appropriate relationship between the PSC and the Legislature?**

The PSC is a creature of the Legislature. The Legislature enacts the laws and the PSC implements them. As Chairman, I will endeavor to effectively communicate with the Legislature as the Commission carries out its responsibilities and duties delegated to it by the Legislature.

10. **Please describe the appropriate relationship between the PSC and the Department of Labor and Economic Growth.**

The PSC is a Type-1 agency within the Department of Labor & Economic Growth (DLEG). Consequently, DLEG is responsible for budgetary, procurement and related management functions of the PSC, but the PSC exercises its prescribed statutory powers, duties and functions independent of DLEG.

11. **Is it appropriate for the administration to seek to affect the outcome of matters properly before the PSC?**

As a bona fide participant/party to a matter before the PSC, the administration is entitled to the same rights and obligations afforded all participants/parties.

12. **In 1975, Attorney General Frank Kelley state in an Attorney General Opinion that the chair of the PSC presides at meetings of the Commission, but after that, needs the concurrence of at least one other commissioner to implement management and organizational matters affecting the operation of the PSC. Will you seek to challenge or change that opinion?**

As Chair of the PSC, it is my sincere hope to work cooperatively and collegially with my fellow commissioners.

13. **Under what circumstances will you seek outside counsel for the PSC?**

I will seek outside counsel for the PSC when it is clear that one is necessary under the specific set of circumstances.

14. **Do you think all customers should pay their actual share of electric service?**

I believe that the electric rates of each customer class should correspond to the cost of service of each customer class.

15. **What criteria should weigh most heavily when considering a request by a public utility for a rate increase?**

The fundamental goal in establishing rates is to ensure that rates are just and reasonable so as to enable the public utility to deliver services in a reliable, efficient, safe and affordable manner. It is important to balance the interest of the ratepayers against those of the utility.

16. **According to recent reports, natural gas consumption will increase because of increased demand by residential and commercial customers, and electrical power production. What can the Commission do to address rising natural gas prices? Would you advocate for the implementation of a multi-year price freeze to achieve stability?**

Pursuant to PA 304, the PSC can address the stability and reliability of natural gas supply and prices in Michigan. PA 304 requires a utility to file annually a complete gas cost recovery plan describing the expected sources of natural gas supply and changes in the cost of gas supply over a future 12 month period covered by the plan. The Act also requires a utility to file a five year forecast of the gas supply requirements of its customers, the utility's anticipated sources of supply, and cost projections. I believe that Act 304 currently provides the PSC with authority to address natural gas prices for the near term future.

17. What sources of energy do you consider to be renewable?

The prevailing consensus is that renewable energy consists of five categories: solar, wind, biomass, hydropower and geothermal. In fact, PA 141, Section 10g(f) defines renewable energy sources as consisting of such five categories, but further clarifies that biomass includes waste to energy and landfill gas.

18. What do you consider to be alternative energy?

As I understand it, the essential characteristics of alternative energy sources are that they are energy efficient and less polluting. Examples include fuel cells, combined heat and power (formerly known as cogeneration), advanced battery systems, microturbine and clean-fuel energy systems.

19. Do you favor a mandated renewable portfolio standard (RPS) or a voluntary standard? Why?

I favor a mandatory RPS over a voluntary standard. To get to the level of renewable energy recommended by the 21st Century Electric Energy Plan (10%) and beyond will require a mandatory RPS. I believe that a mandatory RPS can be a huge economic and job development driver for the State's economy.

20. What RPS level(s) do you believe are feasible in Michigan and over what time line(s)?

The 21st Century Electric Energy Plan recommends a RPS for all load serving entities in Michigan of 10% of load by 2015. I believe that not only is the 10% achievable at essentially no incremental cost compared to a "business as usual" approach, but it will save Michigan electricity customers very significant amounts if the anticipated global climate change legislation kicks in within the expected time frame. While the 10% by 2015 is feasible, I would note that more than 24 states have levels of RPS as high as 30% and I believe that we should strive for considerably higher than the 21st Century Electric Energy Plan recommended levels.

21. Do you favor the 21st Century Energy Plan? What is the expected cost of implementing the Governor's RPS proposal?

Yes, I am generally in favor of the 21st Century Electric Energy Plan. Any costs estimates of the Governor's RPS proposal would vary depending on the set of criteria used. While I am not certain at this point what the costs associated with the RPS proposal might be, I have seen estimates in the range of 0% to 12%. I suspect that the actual costs may be somewhere between that range.

22. Can the goals of the 21st Century Energy Plan be reached with the structure created in P.A. 141?

No. The 21st Century Electric Energy Plan proposes three major policy initiatives designed to expand our existing portfolio of electric resources. First, the Plan provides for new utility-built generation pursuant to a Certificate of Need issued by the PSC after a contested case proceeding to review the utility's integrated resources plan. Second, the Plan recommends adoption of a RPS of 10% by 2015. Third, the Plan recommends creation of a comprehensive, statewide energy efficiency program administered by a third party under the supervision of the Commission.

The Plan acknowledges that each of these initiatives will require statutory changes before they can be implemented. As currently structured, the 21st Century Electric Energy Plan requires various actions for which the Commission lacks statutory authority.

23. The Michigan Legislature restructured the investor-owned electric industry (PA 141). Has this resulted in the degree of competition initially anticipated? If not, then why, in your opinion, has this not happened?

The anticipated benefits of electric restructuring have not materialized. No alternative suppliers offers choice to residential customers in the State and the choice level for business customers is only about 6%.

In my opinion, the reason that competition has not developed as anticipated is due to two main factors. First, the California Energy Crisis, which occurred in the summer of 2000 right after PA 141 took effect in Michigan, alerted all market participants to the great and previously unanticipated risks associated with restructuring. Although the California market was poorly designed, the crisis substantially reduced the confidence needed for markets to function effectively. No state has embarked on electric restructuring since, and six have delayed, repealed or postponed implementation.

Second, the wholesale price of power has increased substantially. All of the new merchant generating plants built in response to PA 141 use natural gas. The price of natural gas has more than tripled. Since alternative electric suppliers are largely dependent on these wholesale supplies, it has been difficult for them to compete effectively.

24. Competition for residential customers has occurred between natural gas suppliers. It hardly exists among electricity suppliers for those same customers. Why? Can this situation be changed?

In Michigan, approximately 90% of all industrial natural gas load is served by alternative suppliers, compared to approximately 5% for residential customers. In the electric market, the comparable numbers are 6% for industrial load and zero for residential customers.

Alternative natural gas suppliers for industrial customers began in the mid-1980s. It was not until the advent of pilot programs in the late-1990s approved by the PSC and the passage of 2002 PA 634 that natural gas customer choice became available to residential customers. Thus, in the natural gas market, there was a lag of 12-15 years between choice for industrial and residential markets.

The reason that residential choice lags behind is due to the different capabilities needed to serve residential customers. An alternative residential supplier needs to have a marketing approach designed for mass markets and an administrative organization designed to provide service to a large number of customers. Marketing to business customers is much more focused and the number of required support personnel is much smaller.

That being said, I am confident that Michigan electric residential customers can become attractive to alternative suppliers if those suppliers view the Michigan regulatory climate as stable and predictable. Currently, only four States have any appreciable number of residential choice customers, but suppliers in those States will be looking to expand their markets. The key in deciding whether to come to Michigan will be the strength of the business electric choice market and the suppliers' perception of continued predictable choice in the State.

25. Energy costs are important factors in a state's economy and Michigan pays more for electricity than neighboring states. Does this concern you? Why are Michigan's rates relatively higher? As a member of the PSC, what will you do to keep Michigan's electric rates low?

Yes, I am concerned about the cost of electricity in Michigan. However, it is important to put this in context. Of the four neighboring states (*i.e.*, Illinois, Ohio, Indiana and Wisconsin), Michigan has virtually identical rates to Illinois and Wisconsin (8.90 cents/Kwh compared to 8.86 cents/Kwh and 8.82 cents/Kwh in June 2007). Although Ohio rates are currently lower, that is only because Ohio deferred a rate increase that was to occur until next year. But for this deferral, Ohio's rates would be about the same. When those deferrals go into effect (made higher by the addition of interest), Ohio's rates will be at or above Michigan's.

The only neighboring state that has significantly lower rates than Michigan is Indiana. The reason is that coal is currently the cheapest form of electric generation and Indiana generates 94% of its electricity from coal compared to 57% in Michigan. In addition, Indiana has an advantage of having coal deposits which allow them to avoid the costly fuel transportation expenses of Michigan.

I believe that Michigan can become competitive with Indiana while maintaining or improving our competitiveness with the other neighboring states. The key will be to make good use of our natural comparative advantages. Although coal is currently the cheapest form of generation, that advantage will lessen as concerns about global warming increase. Correspondingly, the competitiveness of energy efficiency and renewable

energy will grow. With a highly trained work force, Michigan has the potential to be a leader in both.

As a member of the PSC, I intend to play a major role in improving Michigan's competitiveness. The Commission can: 1) encourage utilities to improve the efficiency of their operations, including a system of rewards and penalties for doing or failing to do so; 2) promote the efficient use of energy resources by customers; and 3) encourage the development of cost-effective renewable energy resources.

- 26. Energy demands continue to increase. What steps will you take to ensure Michigan's electric and natural gas supplies remain stable and reliable? Do you support the construction of traditional large base-load plants to meet future demand and replace current supply? Do you believe Michigan's pipeline connections to interstate supplies are sufficient to meet existing and future demand?**

Taking the natural gas question first, demand in Michigan has actually declined in recent years because fewer supplies were used for electric generation. It is not likely that any significant new demand will develop and I know of no reason to believe that existing pipeline connections are inadequate. Given Michigan's abundant gas storage resource, the need for pipeline capacity is less than in other States.

With respect to electricity, the 21st Century Energy Plan estimated future annual growth of approximately 1.2% per year. Clearly, Michigan must be prepared to meet this need so as to improve the health of our economy. The Plan proposed to use a portfolio of new base-load generation, improved energy efficiency, and increased reliance on renewable energy. I believe that this portfolio approach is a rational response designed to make Michigan more attractive for both businesses and citizens.

- 27. Do you support moving to a cleaner burning coal? Coal gasification? How would such a move impact Michigan's environment and business climate?**

I support moving to cleaner burning coal as a component of a balanced portfolio of other supplies. As a practical matter, our future energy needs cannot be met without some continued reliance on coal. I believe that the move to cleaner coal technology as part of a portfolio will benefit both the environment and our business climate because it will allow the retirement of aging (50 to 60 years old) plants that are not very clean and have declining efficiency.

The North Dakota coal gasification plant, built in the 1970s/80s with substantial federal subsidies, proved to be a very expensive White Elephant. We should move cautiously on any new coal gasification proposal to ensure that there is a true need for the product and that the cost is reasonable to support the process.

28. What is the status of competition in the telephone industry following the legislature's recent re-writing of the Michigan Telecommunications Act?

The PSC in accordance with Section 103 of the Michigan Telecommunications Act (MTA) reports annually on the status of competition in Michigan. This report includes information on the traditional wireline industry as well as services provided via diverse telecommunications technologies. The most recent report was filed in June of 2007 and covers data for 2006.

In 2006, the total number of wirelines in Michigan decreased by 3.9% from the 2005 line count. The percentage of lines in the wireline market for competitive providers is now at an 18.3% share, a 2.9% reduction from 2005. The decrease in the total number of competitive wirelines from 2005 to 2006 was 17%.

Additional data available to the Commission allows for the monitoring of other nonwireline telecommunications market developments. These areas are experiencing rapid growth. Wireless subscriptions in Michigan continue to increase; an additional 630,000 subscriptions were reported to the Federal Communications Commission (FCC) for the 12 months between June 30, 2005 and June 30, 2006 for Michigan. High speed internet connections for the same period of time also increased. The FCC reports that as of June 30, 2006 Michigan had over 1.7 million high speed internet lines. The availability of broadband service affects the development of emerging telecommunications services such as Voice over Internet Protocol (VoIP) that rely upon the ability of the customer to access the internet with high speeds of information transfer. VoIP service in Michigan is being offered by many different companies – from cable television providers to traditional telecommunications companies. For certain telecommunications companies, some of the decrease in their wireline connections are somewhat offset by customers switching to wireless or VoIP service provided by the same company or one of its affiliates.

Many factors have had an impact on Michigan's declining levels of competition in the wireline market in 2006. The elimination of the unbundled network element platform (UNE-P) by the FCC, the emergence of new technology options, and the recent mergers involving incumbents and competitors have led to a continued decrease in competition in the wireline industry in 2006. It should also be noted that these factors are governed by outside forces, such as the FCC and courts, or are affected by the introduction of new technologies into the market that are not under the direct regulatory control of the Commission.

29. You played a key role in negotiating the video franchise law. How is the law working?

While the video franchise law became effective on January 1, 2007, it was not until January 31, 2007 that providers and franchise entities began using the newly established standardized Agreement form. It has only been approximately eight (8) months since the Agreement has been in use. With the over 40 cable/video service providers in Michigan,

as well as the hundreds of franchise entities impacted by the law, the law is working reasonably well. In May, AT&T, a new entrant into the video market launched its video service in several communities in southeast Michigan.

30. What consideration should the environment be given in utility regulation and law?

The PSC is an economic regulatory agency rather than an environmental one. However, this does not mean that environmental considerations have no relevance in utility regulation. Often, a false dichotomy is set up suggesting that we must choose between protecting the environment and improving the economy. Such is not the case, especially in regards to meeting our future energy needs. In my view, the PSC should look to cleaner energy technologies not because they are better for the environment (which they are) but because, on a going forward basis, they will prove to be the most cost-effective means of ensuring our energy future.

31. Many states regulate water and sewer rates. Do you think Michigan should? Why?

Generally, the States that regulate water and sewage rates have a substantial number of customers of private firms providing these services. In Michigan, there are a few customers of private water companies and the Commission does have authority over wastewater, although no companies currently offer such service. Instead, water and sewage is predominantly provided by local government authorities. Many of the issues associated with these services involve relationships between these governmental agencies. The standard regulatory approaches used by the PSC are ill-suited to address such issues. In my opinion, water and sewage rates should be regulated only if there is first an agreement on the policies that regulation is intended to implement.

32. Do you think Michigan needs a long term energy plan? Why? If you think the state does need a long term energy plan, what should its components be?

Yes, I believe that it is important for Michigan to have a long-term energy plan. Indeed, efforts are currently underway towards establishing such a plan. Senator Patterson has formed various workgroups around the issue and the House is currently working on a consolidated package of energy bills.

In my opinion, any long-term energy plan should at a minimum have the following components:

- 1) Ensure that we can meet current and future energy demands.
- 2) Encourage the growth and investment in the development of renewable and alternative energy sources.
- 3) Develop more efficient means of generating, transmitting, distributing and using energy.
- 4) Be flexible such that adjustments can be made in the face of unanticipated circumstances.
- 5) Be sensitive to its impact on the economic health of the State.

33. **Currently, the Commission regulates electricity, natural gas, petroleum, telecommunications, video franchising and renewable energy program. Do you think it is necessary for the Commission to also regulate the movement of intrastate household goods?**

Intrastate household goods movers are licensed by the Commission and their rates are regulated for moves over 40 miles.

34. **Last year the PSC issued 438 orders and 38 (or 8.7%) of those were motor carrier orders. What level of resources does the PSC devote to its Motor Carrier Division and what level of revenue does the Division generate? How does this compare to other PSC divisions?**

PSC operations can be broadly divided into two basic functions: public utility and motor carrier. The calculation in the question tends to understate the extent of motor carrier operations because many motor carrier companies are often grouped under a single order. For example, at the September 11, 2007 meeting, the Commission issued 4 motor carrier orders involving 20 motor carrier companies.

Generally speaking, motor carrier operations involve approximately 10% of the PSC's budget and its operating resources. A more precise answer is not possible at the present time because of a unique situation involving Federal motor carrier regulation. As a result of a change in Federal motor carrier law, the Commission was precluded from most licensing and regulation of intrastate motor carriers until new Federal regulations were adopted. Accordingly, many of the motor carrier staff were temporarily reassigned elsewhere in the Commission. The Federal regulations have now been completed and the PSC is now in the process of reassigning staff back to motor carrier functions.